

CORRECTED FISCAL NOTE

HB 1356 - SB 2070

April 17, 2007

SUMMARY OF BILL: Requires a person to show evidence of compliance with the Financial Responsibility Law in order to register a motor vehicle in the state. Requires insurers to notify the Department of Revenue and the insured immediately of the cancellation or termination of a motor vehicle insurance policy where no replacement policy is issued that the vehicle no longer meets the requirements of the Financial Responsibility Law and that the registration will automatically terminate in thirty days from the date of notice unless the requirements are met. Requires the Department similarly notify individuals upon withdrawal of any cash deposit or bond that was used to satisfy the requirements of the Financial Responsibility Law. Requires the Department to notify individuals of the termination of their vehicle's registration. Specifies that insurers not providing the required notification shall remain liable to the extent of the original policy for any accident.

ESTIMATED FISCAL IMPACT:

On March 14, 2007 we issued a fiscal note that, in the summary and the assumptions, indicated an increase in state expenditures would be realized by the Department of Safety. This is incorrect. In Executive Order 36, the Governor transferred titling and registration responsibilities from the Department of Safety to the Department of Revenue. Therefore, the fiscal impact is:

(CORRECTED)

Increase State Expenditures – Exceeds \$800,000 Recurring

Exceeds \$900,000 One-Time

Increase State Revenues - Net Impact - Exceeds \$8,000,000

Decrease Local Govt. Revenues – Net Impact - Exceeds \$8,000,000

Increase Local Govt. Expenditures* – Exceeds \$100,000

Assumptions:

- A recurring and one-time increase in state expenditures for 20 positions and related operational expenses in the Department of Revenue to handle notifications, phone inquiries, and other administrative tasks.
- A one-time increase in state expenditures for computer system changes.

HB 1356 - SB 2070

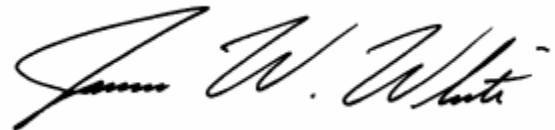
(CORRECTED)

- At least 10% of the 4,900,000 currently registered motor vehicles are driven by uninsured motorists and approximately 75% of these will not be able to maintain their registrations resulting in a decrease in state revenues from motor vehicle registration fees of approximately \$7,900,000.
- An increase in state revenues of approximately \$13,200,000 from the collection of reinstatement fees.
- An increase in state revenues exceeding \$3,000,000 from insurance premium taxes paid as more than 490,000 motorists that currently do not have motor vehicle insurance obtain such insurance to maintain their registrations.
- An increase in local government expenditures estimated to exceed \$100,000 statewide for the cost to county clerks to process registrations with proof of financial responsibility, mail back registrations not properly submitted, verification of financial responsibility, and a possible increase in in-person registrations.
- A decrease in local government revenues from registrations and renewals and wheel taxes lost when individuals are not eligible to register or renew their vehicles. This decrease is estimated to exceed \$10,000,000 statewide.
- An increase in local government revenues and expenditures to prosecute and collect misdemeanor fines for certain violations of the provisions of this bill. Approximately 10% of those without insurance will be convicted and pay fines. The collection of fines is estimated to exceed \$2,000,000.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director